821

AMERICA'S CREDIT UNIONS™

Charlottesville Postal Federal Credit Union
P. O. Box 6488 1155 Seminole Trail
Charlottesville, VA 22906-6488
Phone: 434-973-4280
Fax: 434-973-4095
Email: ~~cpfcu@earthlink.net~~
cpfcu@embarqmail.com

March 30, 2009

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Corporate Credit Union Advanced Notice of Proposed Rulemaking

Dear Ms. Rupp:

The following are the thoughts of the Charlottesville Postal Federal Credit Union:

Role of Corporates in the Credit Union System.

The mission statement of our local Corporate states:

> VACORP is a member-owned financial cooperative committed to providing superior investment, liquidity and correspondent products and services that foster and promote the success of its members.

The key words are member-owned, financial cooperative, providing products and services, foster and promote the success of its members.

We believe that some of the corporates, including U.S. Central, have forgotten that they are member owned, that they are a cooperative, that they are there to provide products and services. And it is all for the success of their members.

There are some well run corporates that are not having problems. The reason is they are not trying to be the biggest or the most profitable. The corporates have to go back to providing the services needed by the member credit unions and not trying to make a killing with every investment.

Structure of the Corporate System.

Having a two tiered system with US Central and the other corporates isn't the problem. The problem is the controls. The Board members can only make decisions based on the information they receive. We do believe that for the corporates, including US Central, there should be term limits. We believe that it should be three years on and then at least three years off. The board of US Central should be made up of the CEOs of the corporates members. Since how US Central performs reflects on how their own corporates perform, we see no reason for additional compensation for the board members. We do not believe the board members of retail corporates should be compensated.

The problems we see affect not only corporate credit unions, but natural person credit unions. The main problem is the requirement of a Supervisory Committee. Do the committee's members, whether natural person or corporate, really know what to look for? Will they know a problem when they see it? We believe NCUA should amend the by-laws to allow natural persons credit unions to have a Supervisory Committee, or a internal auditor (that reports to the Board of Directors) or a hired qualified outside person (who reports directly to the board of directors) to do the reviews presently done by supervisory committee members.

The corporate credit unions should not be allowed to have a supervisory committee. We do not believe that the members of a corporate supervisory committee have the time or the knowledge to provide the type of review that should be required. We believe that corporates should be required to hire an outside firm to do the work of a supervisory committee and report to the board of directors. A monthly report would be required.

We also believe that the members of the corporate Asset-Liability Management Committee should have experience requirements. Since we are not experts in this area we can not spell out the requirements. We do believe that this committee should be made up of non employees of the corporate. The credit risk taken by the corporates was controlled by greed. The corporates either didn't have the experience to see the mortgage problems coming, didn't remember the down fall of Capitol Corp because of risky investments or didn't care. The natural persons credit unions that have suffered from the economic crisis can look back and see that the problems have been caused by credit risk decisions. The corporates and natural persons credit unions that have suffered the least are the ones that controlled their lending and investments. This can be related to the management of both types of credit unions using honesty and ethics in their approach to running their credit unions.

Where was NCUA?

When did NCUA start to closely monitor the financial conditions and risk-taking of corporate credit unions?

Did NCUA ensure that an appropriate risk management framework for corporate

credit unions was established?
Did NCUA develop and enforce capital standards that adequately accounted for all risks and that included a minimum leverage ratio?
Did NCUA ensure that GAAP accounting standards were followed for classifying investments?
What was the expertise of the NCUA staff who oversaw the corporate credit unions, especially training in investment analysis?
Was NCUA assessing the accuracy and completeness of call report data? What steps was NCUA taking to ensure that the data was accurate and useful for off-site supervision?
Did NCUA have an established tripwire system that would require prompt corrective action before a corporate's capital was exhausted?

If these questions look familiar it is because they are some of the recommendations made by the Comptroller General of the United States after the failure of Capital Corporate Federal Credit Union in 1995.
However, we can not get answers to these questions because we are told it confidential. The NCUA Board should be asking if these recommendations were put in place and followed.

Changes in leadership.

We hear the call to remove the management of US Central and other problem corporates. However, we don't hear the question of where were the leaders of our regulators. Mr. Marquis was the Director of the Office of Examination and Insurance from 1994 to 2008. That means he was in charge when Capital Corp failed. Now he has been promoted to NCUA Executive Director. If he was in charge of E & I and we now have problems with the corporates and numerous natural person credit unions why isn't anyone asking for a change of management at NCUA. Who gets to replace Mr. Marquis as Director of Examination and Insurance but Melinda Love. She was the Regional Director for Region Five where she oversaw four of the states with some of the biggest problem credit unions: Arizona, Colorado, California and Nevada. We are sure if we were a problem credit union and we were going to replace our CEO with a person who was over seeing a department that had many problems NCUA would not look favorably on our selection.

Recommendations.

We read an interview of Mr. Harry Bellow, retired president of Kentucky Telco Federal Credit Union, by Credit Union Journal and thought his answer to one of the questions was very interesting. The question was "What did your time with NCUA not prepare you for in managing a credit union?". His answer was "The detail of running an organization. I knew rules and regs and accounting and that kind of thing. What I didn't know was technology, personnel, and day-to-day issues. You can learn that by being there-the operational details and that kind of things.".

If NCUA's examiners for corporates are the same as the ones who examine natural persons credit unions then the problem is that they know the rules and regs, but don't really know the day to day operations. We believe that the corporate examiners are not the same people who examine natural persons credit unions or at least we hope not. The question is are they rules and regs people. We read things like no one questioning all the new members from one or two SEGs and they don't live in Colorado where the credit union is located and we are giving them loans. No rules or regs are broken, but common sense says this should be looked into.

NCUA is going to hire all these new examiners. They will all be general examiners. We believe this is a major mistake. We believe that NCUA should have lending examiners, investment examiners, operations examiners, compliance examiners and accounting examiners. This will improve the relationship between the examiners and management because the credit unions will feel like they are dealing with someone that knows the business they are discussing. Try talking to an examiner about collections when you know they have never collected an account. The examiners do not have to come all at once. It can be over a 12 month period and then a final collective report could be issued.

NCUA should reduce it expenses by reducing the traveling of the board members. Natural person credit unions are giving up their net worth. NCUA should reduce it expenses.

Summary

Use the structure and operational procedures of the good corporates as recommendations to the problem corporates.

Term limits for Board of Directors for corporates.

No outside directors.

Board members should not be compensated.

Remove the requirement of a Supervisory Committee for both corporate and natural persons credit unions.

Require an internal auditor or a outside auditor.

Auditors report directly to the board.

Experience requirements for members of the Asset-Liability Committee.

Change the day to day leadership at NCUA.

Improve the examiners by having specialist instead of generalist.

825

Instruct the employee of NCUA to use common sense in their dealing with credit unions..

Reduce expenses at NCUA.

Sincerely,

Vincent Speckenbach
Manager/CEO

CC: Chairman Michael Fryzel
Vice Chairman Rodney Hood
Board Member Gigi Hyland
Virginia Credit Union League